

**XXL**

**XXL ASA – Q4 2021**

**Presentation of  
Financial Results  
9 February 2022**



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**XXL**

# XXL ASA – Q4 2021

**XXL**

Great brands

Great prices

Great assortment

Great expertise

Great accessibility





Scott  
Groove Plus MIPS hjälm  
21, cyckelhjelm, unisex

999



Langrenn  
Skidåkning



## Headlines Q4 2021

# Solid growth and gross margin improvement – Sweden leading the way

## Q4 2021

- Improved seasonal plan and execution
- Strong sales of NOK 2.7 billion (+ 6% vs. 2020)
- Solid gross margin of 42.1% (+ 170bps)
- Improved EBITDA at +23%, ending at NOK 403 million (+ NOK 76 million vs 2020)
- Healthy financial position

## 2021 total

- Operating revenue of NOK 10.0 billion – despite store closures and a challenging delivery situation of especially bicycles
- Strengthened gross margin at 40.8% (+ 330 bps)
- EBITDA of NOK 1 338 million (+ NOK 221 million vs 2020) – Norway and Finland with strongest performance in XXL's history, while Sweden has the second-best year

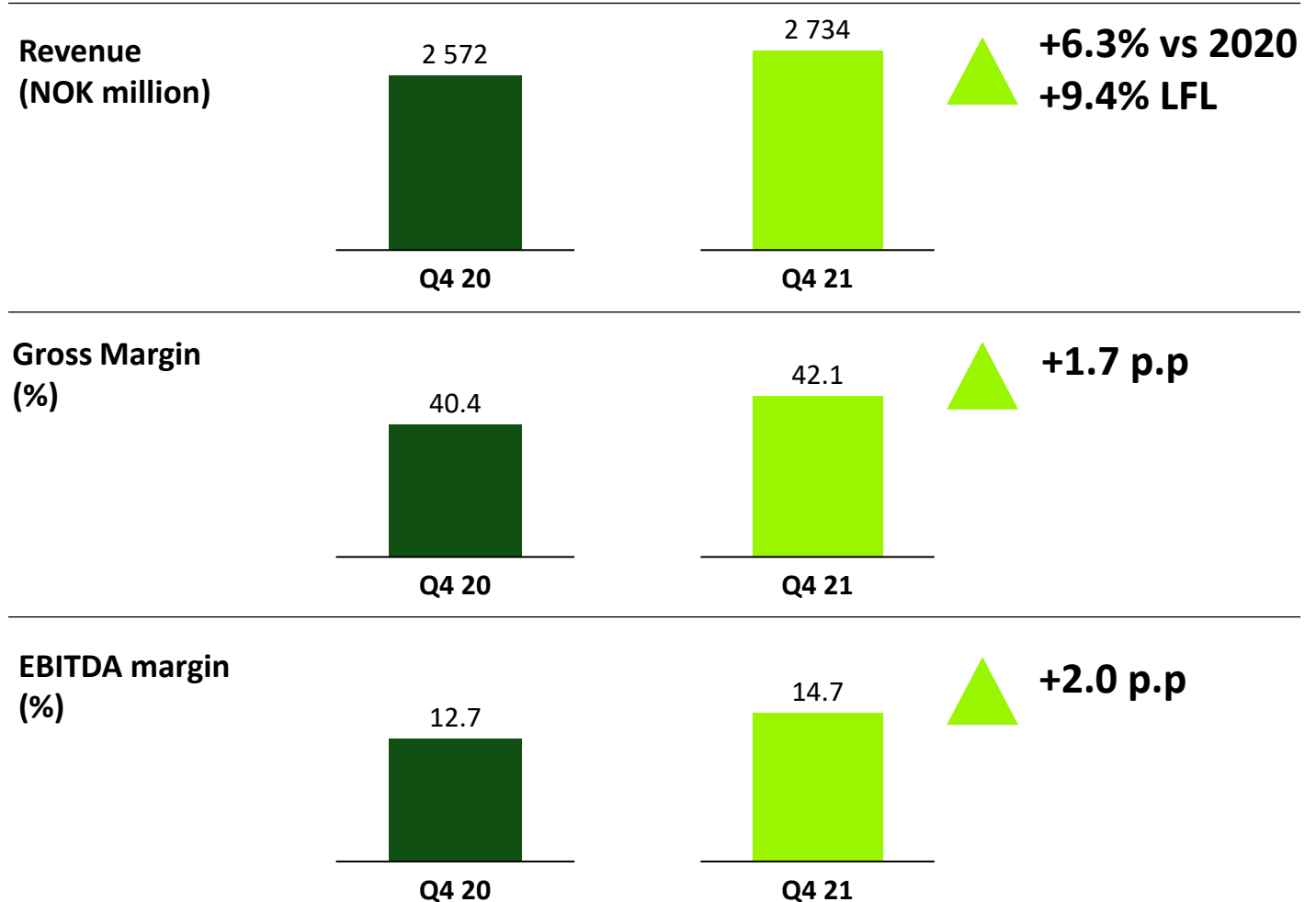
## Outlook

- Returning to dividend policy – Board proposes a dividend of NOK 0.6 per share
- XXL with strong concept and capabilities to succeed – ongoing implementation of strategic initiatives
- Our targets and goals going forward is to continuously gain market shares and strengthen our profitability

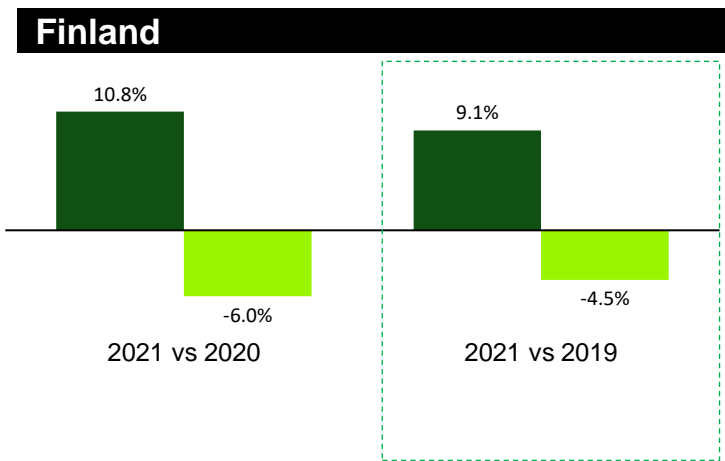
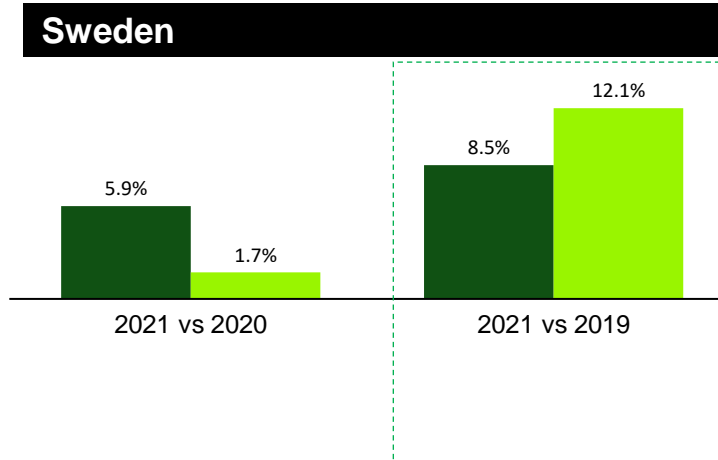
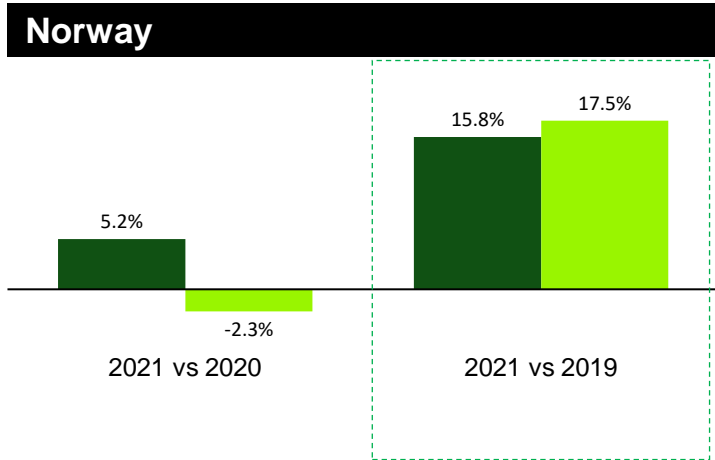


# Highlights Q4 2021 – strong execution during the “champions league final” of the retail year

- Improved seasonal plan and execution
- Operating revenue of NOK 2 734 million (NOK 2 572 million)
- E-commerce growth of 9%, representing 25.5% of the total revenue for the Group
- Strong gross margin of 42.1%, positively impacted by good price management, together with a disciplined and optimized Black Week campaign. All segments with improvement in gross margins
- EBITDA of NOK 403 million (NOK 327 million)
  - All segments posting positive development vs. last year



# Market share development vs 2020 and 2019















Market XXL

- XXL had slower growth than market in 2021 compared to 2020, partly explained by extraordinary clearance campaign in 2020
- When comparing against 2019, XXL has over the last years gained market shares in Norway and Sweden
- Throughout 2021, had adversely impact from supply chain problems, particularly impacting sales of the large bike category
- XXL's target and goal to gain market shares over time

Sources: Norway – SSB, Sweden – SCB, Finland – TMA  
 XXL Sweden is measured excluding the 3 Outlets stores close to the Norwegian borders

# Q4 2021 – Solid performance across all segments

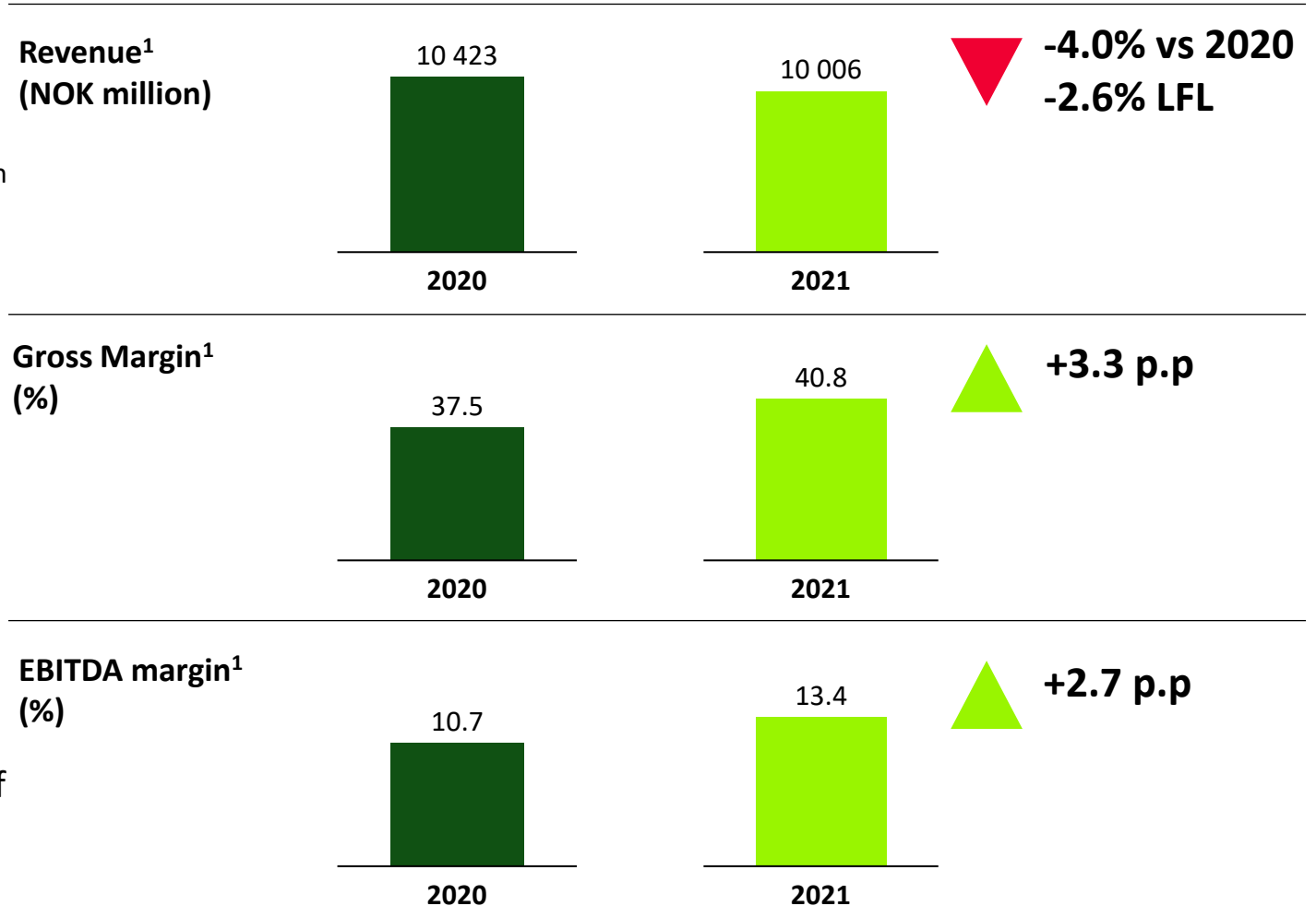
	Group	Norway	Sweden	Finland	Austria	Denmark*	HQ
LFL GROWTH	+9.4% 	+5.5% 	+18.9% 	+8.1% 	+3.4% 	-14.2% 	n/a
EBITDA GROWTH (mnok)	+76 	+10 	+42 	+9 	+6 	0	+9 

\*Please note that Denmark will be included in the Norwegian segment going forward



# Highlights 2021 – Solid performance despite challenging conditions

- Operating revenue of NOK 10 006 million (NOK 10 423 million)
  - Store closures affecting sales negatively of ~NOK 350 million
  - Late delivery of bicycles impacting sales negatively of ~NOK 350 million
- Strong gross margin of 40.8%
  - Good price management
  - Improved campaign execution
  - Lower seasonal sell down
  - Healthier inventory
- EBITDA of NOK 1 338 million (NOK 1 117 million)
  - Norway and Finland with best positive EBITDA in XXL's history and strong improvement in Sweden
  - Austria – challenging market conditions
- EPS adj. of NOK 1.31 per share – proposal of dividend of NOK 0.6 per share
- Solid balance sheet



# Sweden full potential – improved results

## Sweden (local currency)



## Actions



### Top line

- category development and improve assortment
- high focus on customer satisfaction
- increased conversion



### E-commerce

- good growth in 2021 and strengthened customer offering in 2022



### Gross margin improvements from pricing discipline



### Increased marketing efficiency



### Stores

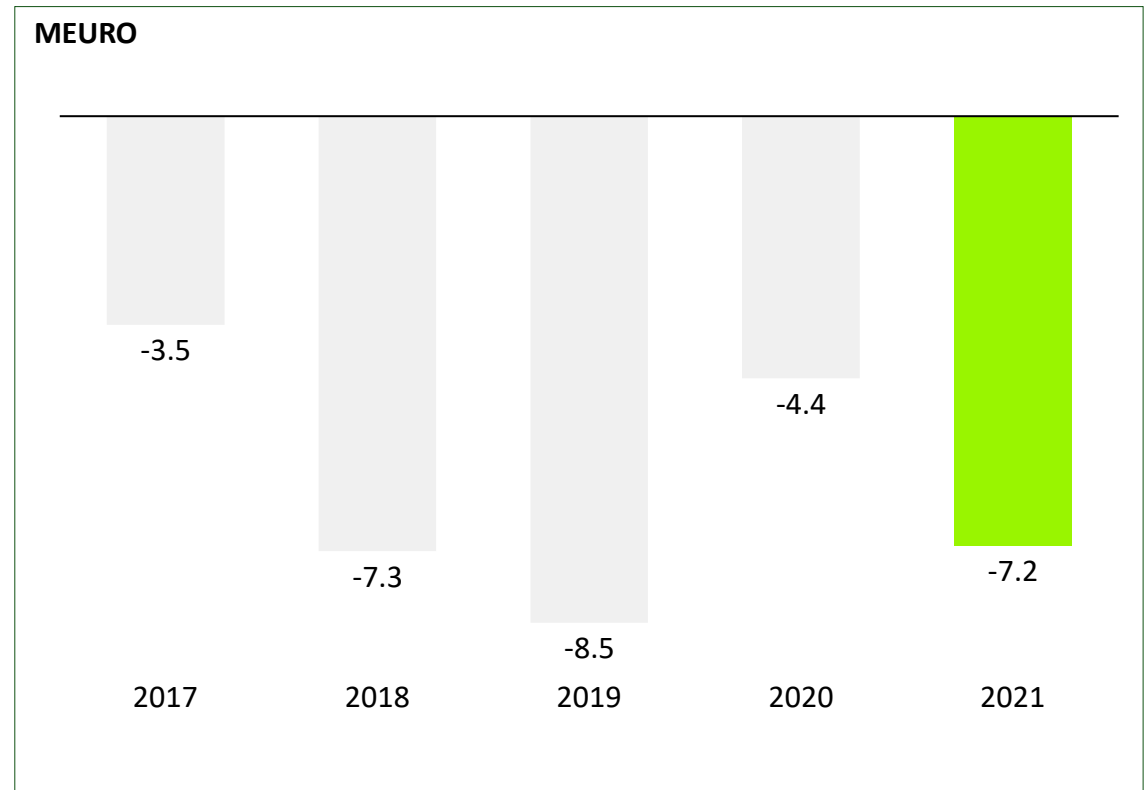
- downsizing and renegotiating
- closing unprofitable stores
- selectively open new stores

# Austria – challenging market conditions and results

## Comments

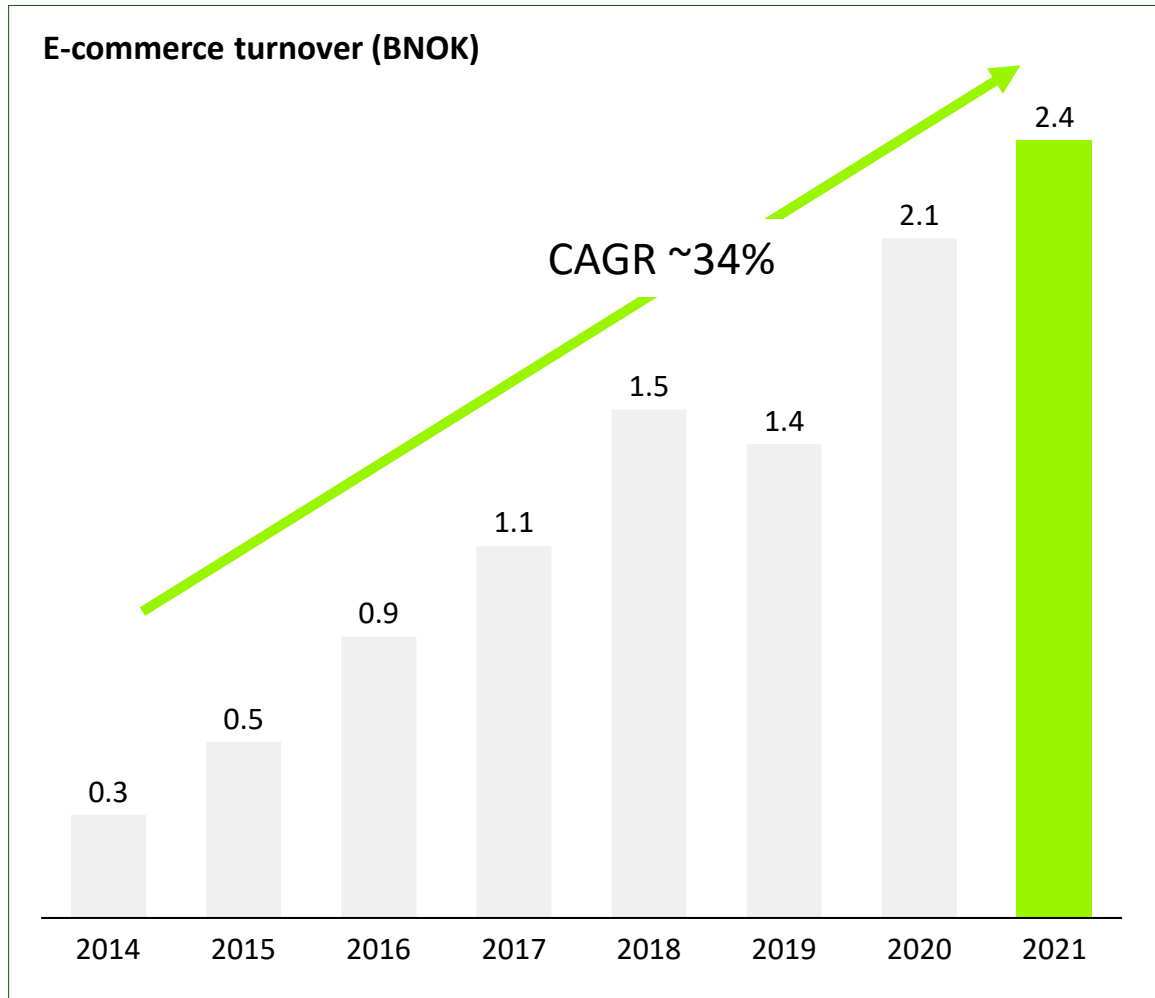
- Challenging market situation during the last two years with several store closures affecting sales negatively
- However, not satisfied with our own performance and several actions initiated to improve the situation
- Ambition to remove negative drag on profits in 2022
- Due to the operational development and situation, it is prudent according to IFRS 16, to impair and write down the right of use assets in Austria => no cash effect

## EBITDA (ex. IFRS 16) - Euro





# XXL capitalizing on it's strong e-commerce platform with increasingly importance for the business



- XXL being the leading online sports retailer in the Nordic
- In 2021 XXL delivered > 3 500 000 parcels, with a total turnover of almost NOK 2.4 billion
- XXL the no. 1 site for Sports & Outdoor in the Nordics. 150 million online sessions (online store visits) in 2021
- XXL continue to invest in order to improve omni-channel solutions
- EVP Digital Commerce is recruited and a part of the senior management team
- XXL has an ambitious growth strategy for e-commerce

# Supply situation “under control”

- Given high uncertainties and challenges throughout the value chain (freight, production, supplies, raw material) we are monitoring suppliers and deliveries closely
- Key challenges are specially related to production of shoes and textile in Asia where factories have been closed for a period of time during fall 2021
- Global transportation setup is still struggling with delays both from Asian harbors and congestion in European harbors
- XXL has many different suppliers and have diversified the delivery risk to some extent
- Well prepared for the upcoming bike season

**1** A Normal Supply Chain? It's 'Unlikely' in 2022.  
The chaos at ports, warehouses and retailers will probably persist through the year, and perhaps even longer.

**2** Global supply chains at risk of collapse, warn business leaders  
Governments urged to restore freedom of movement to transport workers to alleviate their 'mistreatment'

**3** Branschen varnar: Containerbristen kan vara kvar i årtal  
Containerbristen förväntas kulminera i september. Men det kan ta årtal att komma tillrätta med grundproblemet, varnar branschfolk. Men det finns vinnare på krisen.

**4** Omikron hotar utlösa nytt containerkaos - "mardrömsscenario"  
Risken är stor för att omikronvarianten leder till nya nedstängningar som kan utlösa kaos och prisuppgångar inom den globala containersjöfarten, varnar bedömare. Även om priserna sjunkit något från den absoluta toppen är containerfraktpiserna fortsatt på extrem nivå efter fjolårets prisexplosion.  
Uppdaterad: 6 januari 2022, 19:04 Publicerad: 6 januari 2022, 18:47

**5** E24 | Ikea sliter med varemangel: - Rammer varehandelen bredt  
Containerskipene sliter med å møte etterspørselen etter varer. Ikea planlegger for at problemene kan vare til august neste år.

**6** Kaoset i forsyningskjedene fortsetter: - Verre før det blir bedre  
Kaoset i de globale forsyningskjedene er i ferd med å spre seg til nye land. Det ventes ingen bedring på kort sikt. Dette er fortsatt et kritisk problem, sier sjeføkonom for Kina.



# Great contribution from all of our employees in Q4 and 2021

- 2021 was another year impacted by covid-19 with several store closures, challenging delivery situation and constantly changing restriction
- Despite this our employees have made an impressive effort
- Thank you!





# **Financial Review Q4 2021**



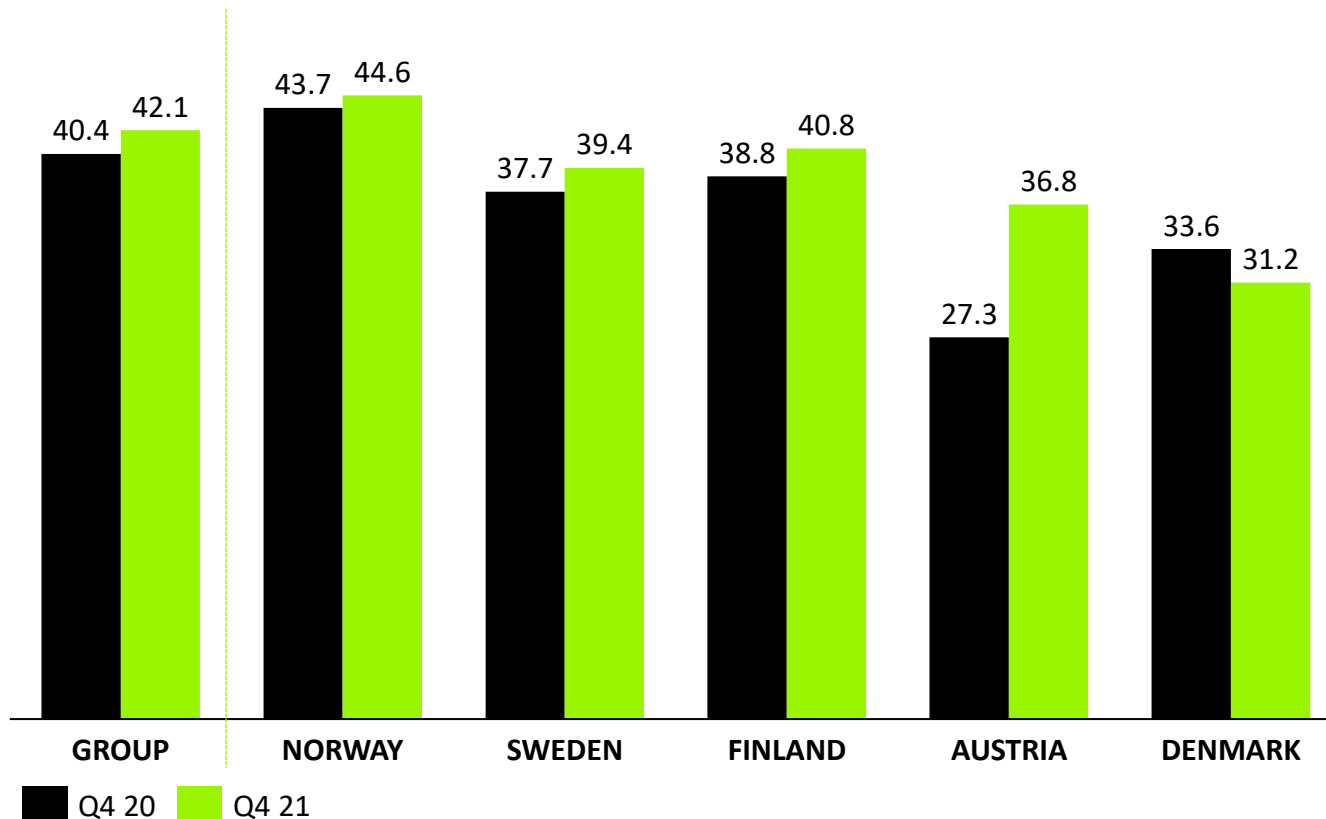
# Key Figures

(Amounts in NOK million)	Q4 2021	Q4 2020	FY 2021	FY 2020 Audited
<b>GROUP</b>				
Operating revenue	<b>2 734</b>	2 572	<b>10 006</b>	10 423
Growth (%)	<b>6,3 %</b>	10,9 %	<b>-4,0 %</b>	15,9 %
Gross profit	<b>1 151</b>	1 040	<b>4 084</b>	3 904
Gross margin (%)	<b>42,1%</b>	40,4 %	<b>40,8 %</b>	37,5 %
OPEX %	<b>27,3 %</b>	27,7 %	<b>27,4 %</b>	26,7 %
EBITDA	<b>403</b>	327	<b>1 338</b>	1 117
EBITDA margin (%)	<b>14,7 %</b>	12,7 %	<b>13,4 %</b>	10,7 %
EBIT	<b>42</b>	133	<b>391</b>	364
EBIT margin	<b>1,5 %</b>	5,2 %	<b>3,9 %</b>	3,5 %
Impairment losses	<b>136</b>	-	<b>136</b>	-
EBIT adj	<b>177</b>	133	<b>527</b>	364
EBIT adj margin	<b>6,5 %</b>	5,2 %	<b>5,3 %</b>	3,5 %
Net Income	<b>3</b>	13	<b>194</b>	126
Net Income adj	<b>139</b>	13	<b>330</b>	126
Basic Earnings per share (NOK)	<b>0,01</b>	0,05	<b>0,77</b>	0,57
Earnings per share (adj)	<b>0,55</b>	0,05	<b>1,31</b>	0,57

- Revenue up with NOK 161 million vs. last year
  - Positive like for like growth of 9.4%
  - Good weather conditions in the Nordics and improved campaign execution
  - E-com growth of 8.5% - representing 25.1% of total revenue versus 25.0% last year
- Gross margins ended at 42.1%, up from 40.8% last year
  - Impacted by good price management, together with disciplined and optimized Black Week campaign
  - Release of obsolete accruals
- OPEX in % is 0.4 p.p lower than last year driven by the higher top line giving scale in operations
- EBITDA ending at NOK 403 million
  - 2021 EBITDA of NOK 1 338 million
  - 2021 EBITDA ex. IFRS of NOK 737 million
- Impairment of right of use assets in Austria – resulting in a write down of NOK 123 MNOK. Also a write down of assets related to the two outlet stores in Sweden of NOK 13 million
- Adjusted net income of NOK 139 million in Q4 2021

# Gross Margin Development

XXL ASA Q4 2021 - Gross margin per segment (in %)

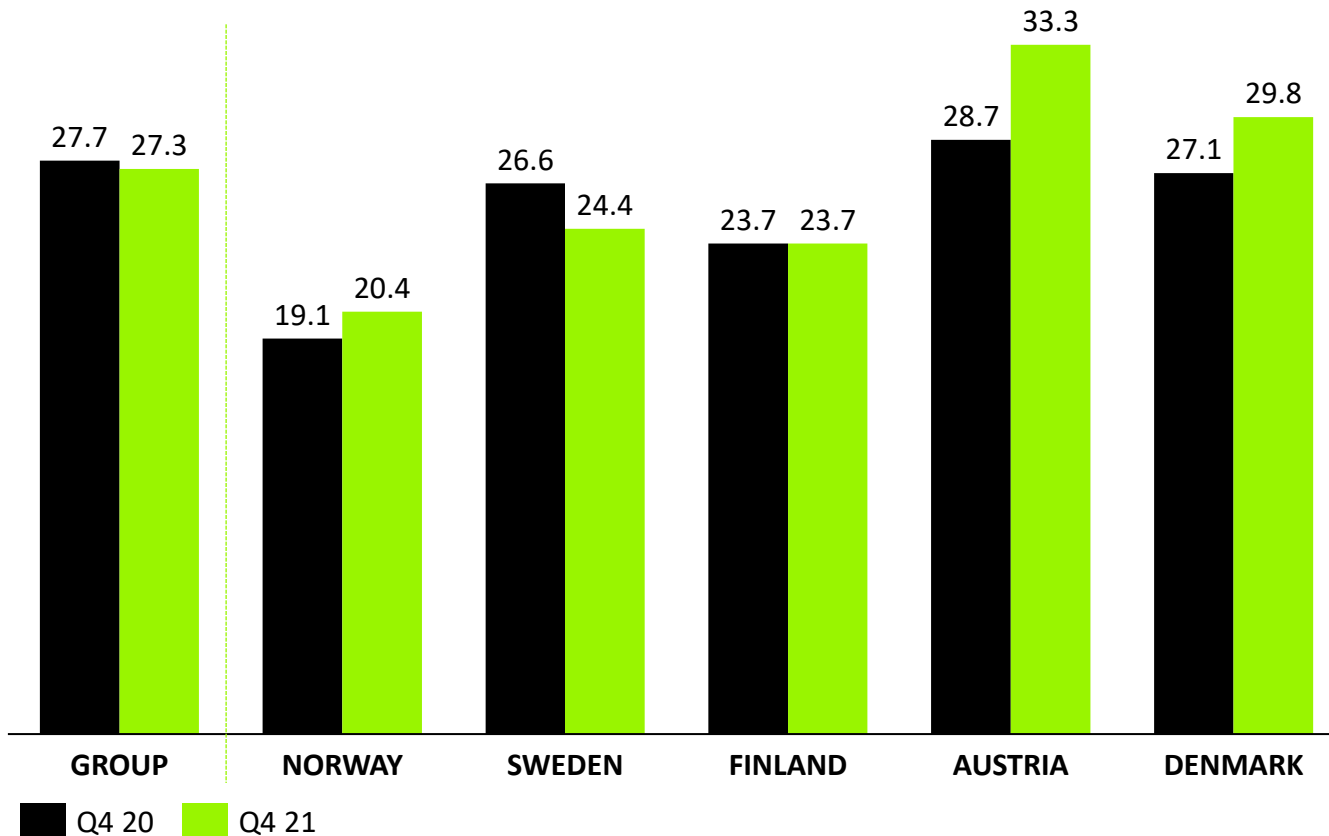


- Strengthened gross margin development in the quarter, up from 40.4% in Q4 2020 to 42.1% in Q4 2021
- Improved campaign execution and planning
- All markets with gross margin improvement, partly affected by release of obsolete accrual due to healthier inventory:
  - Norway: NOK 11 million
  - Austria: NOK 4 million
- XXL targets to stabilize the gross margin above 39%- Improved market dynamics
  - Improved campaign approach and execution
  - Healthier assortment and inventory levels



# OPEX Development

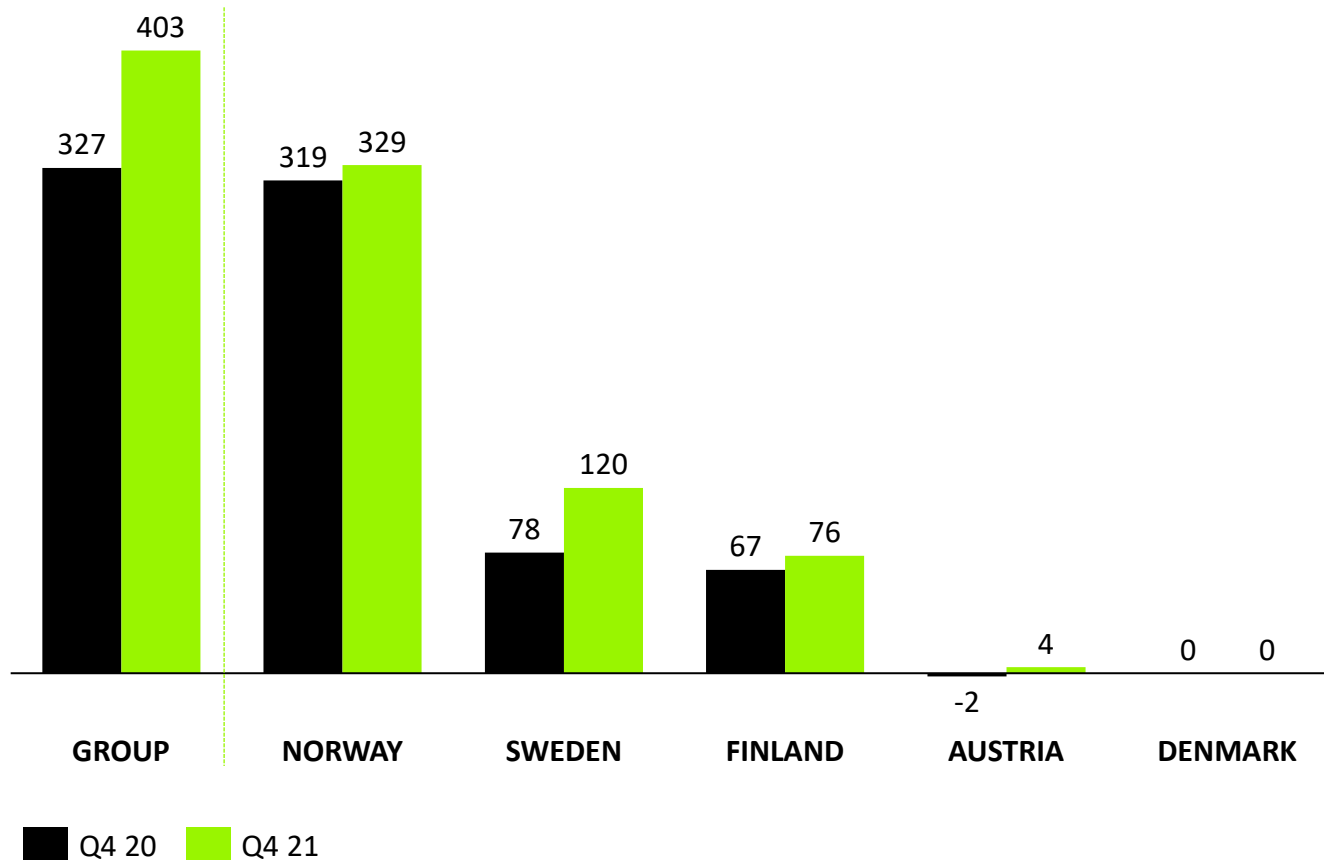
XXL ASA Q4 2021 - OPEX per segment (in %)



- Group OPEX% down with 0.4 points to 27.3% in Q4, explained by higher revenue positively affecting scale in operations
- Increase of NOK 34 million vs. LY, partly explained by new store openings and late arrival of goods to central warehouses. Also increased sick leave in stores due to pandemic
- Counteracted by lower bonus accruals and reduced consultancy cost

# EBITDA Development

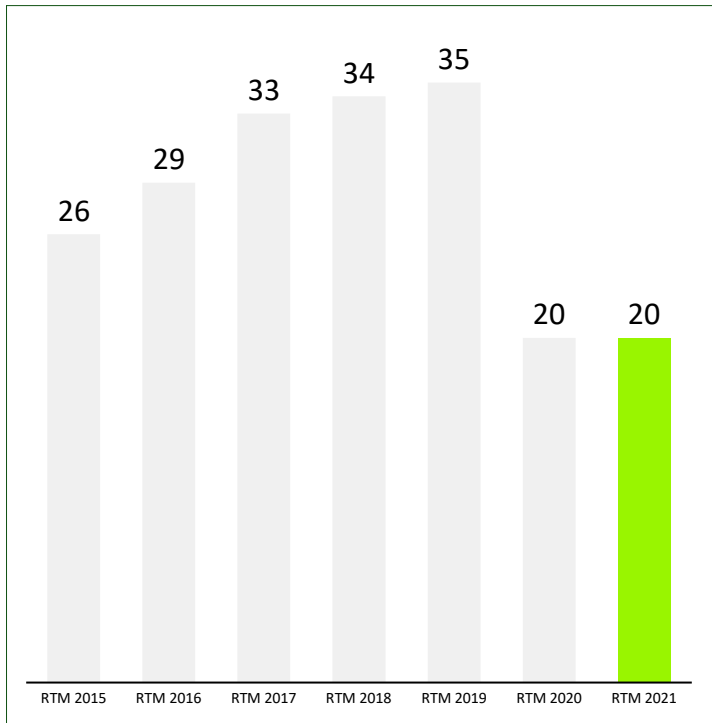
XXL ASA Q4 2021 - EBITDA per segment  
(in mNOK)



- Positive EBITDA development vs LY – up NOK 76 million explained by the revenue growth and increased gross margins
- All segments posting improved EBITDA in the quarter vs. LY
- EBITDA margin of 14.7% in Q4 2021 vs. 12.7% in Q4 2020

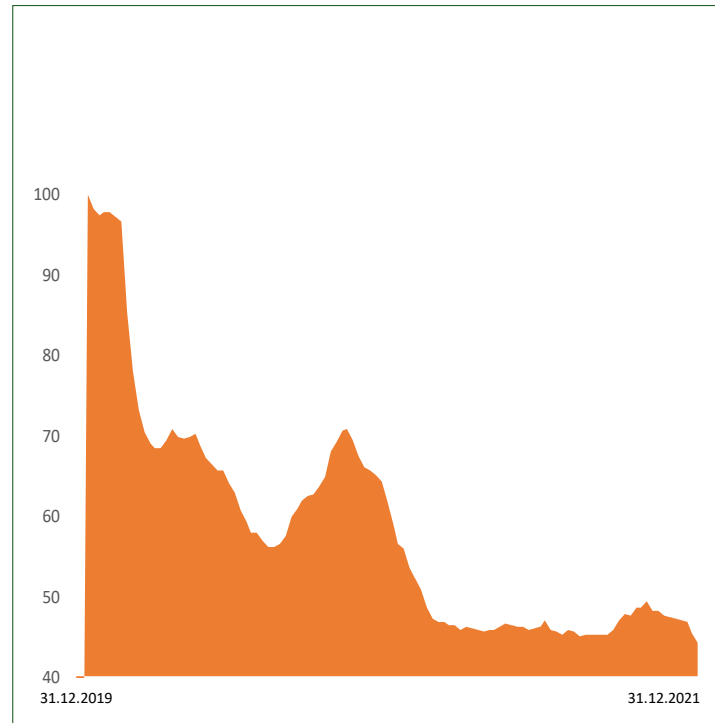
# Inventory is now at healthy levels

**Inventory in % of sales**






2019-2020: restated figures

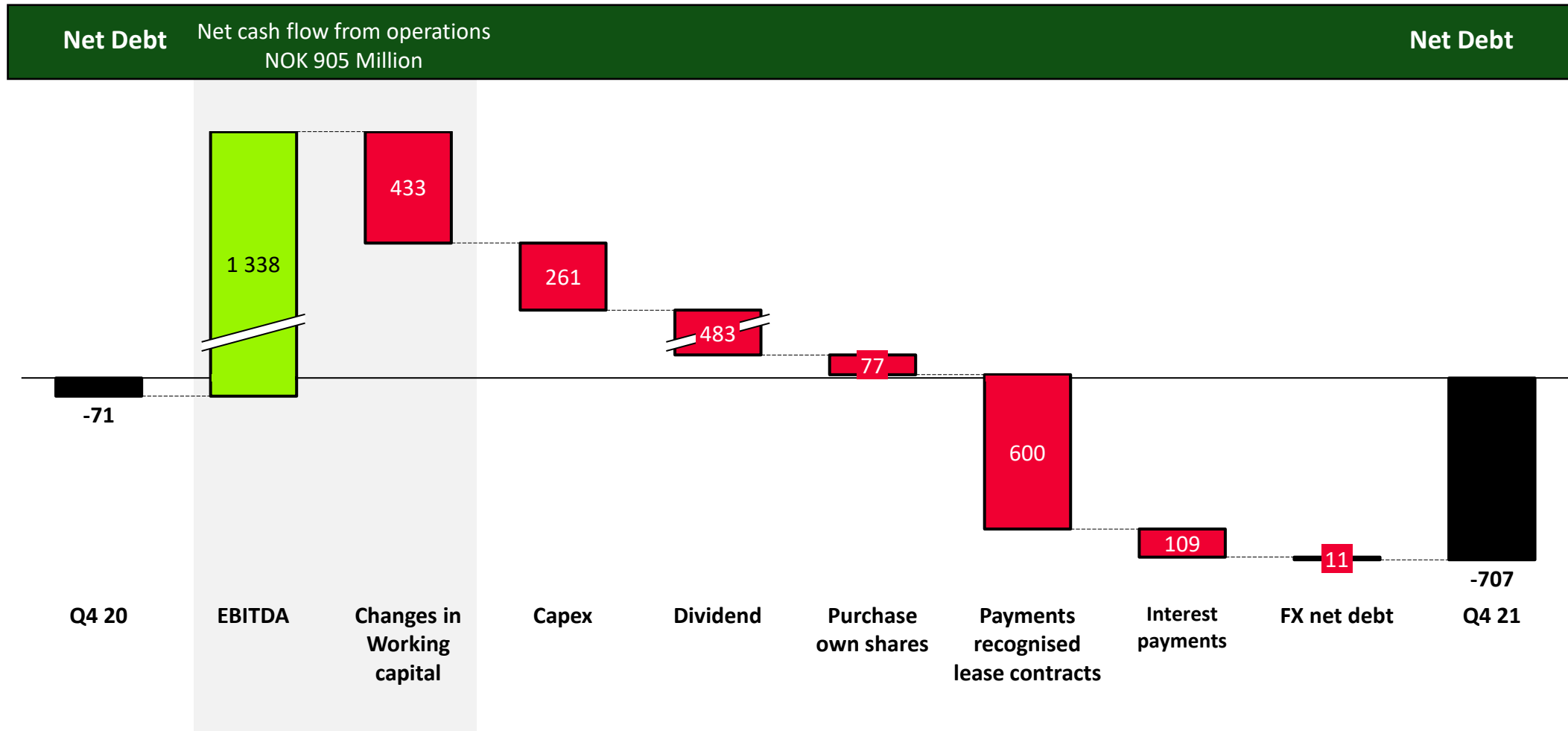
**Inventory levels > 12 months of age – index**



**Actions**

- 
 Implemented replenishment system
- 
 Reduction in number of suppliers
- 
 Reduction in number of SKU's
- 
 Strong follow up of old inventory
- 
 Improve purchasing processes -ongoing

# Net Debt Development

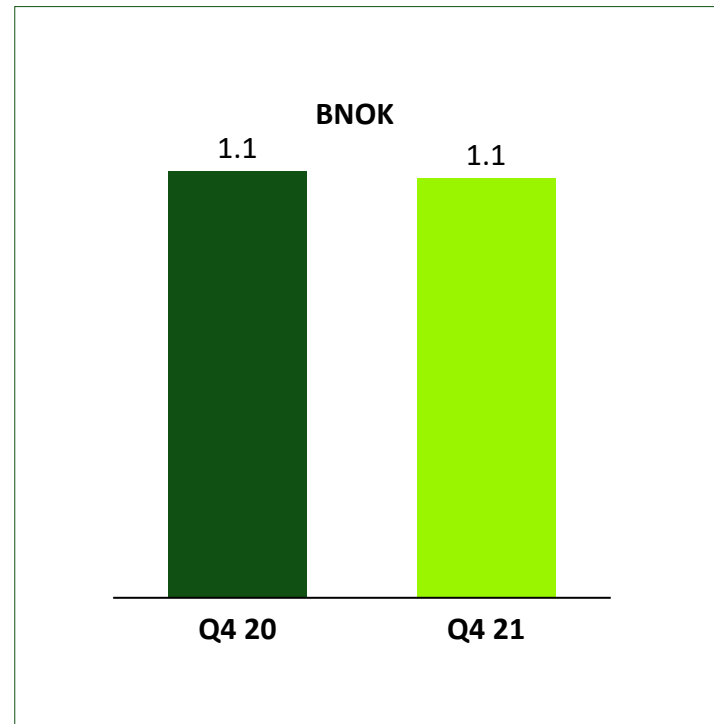


# Continued strong financial position

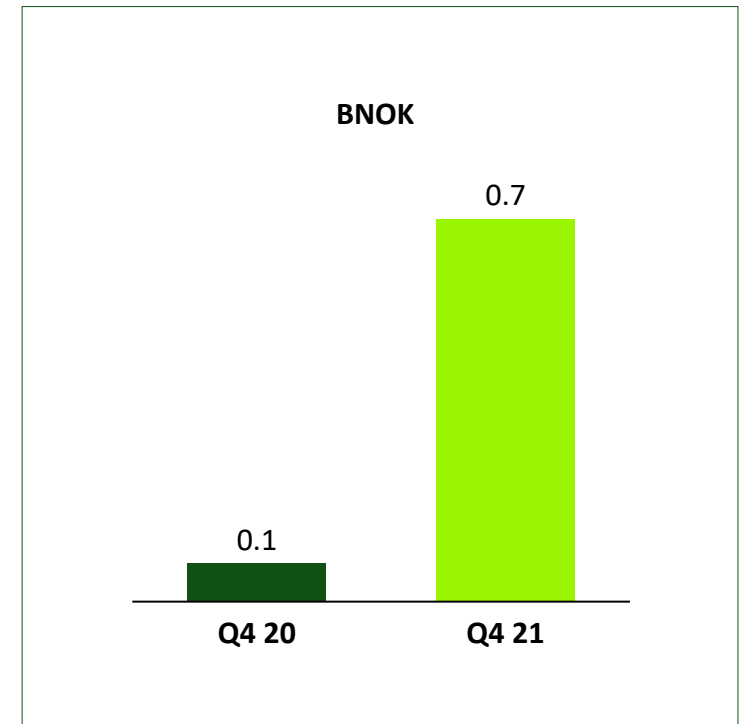
### YTD Operational Cash Flow



### Liquidity Reserves



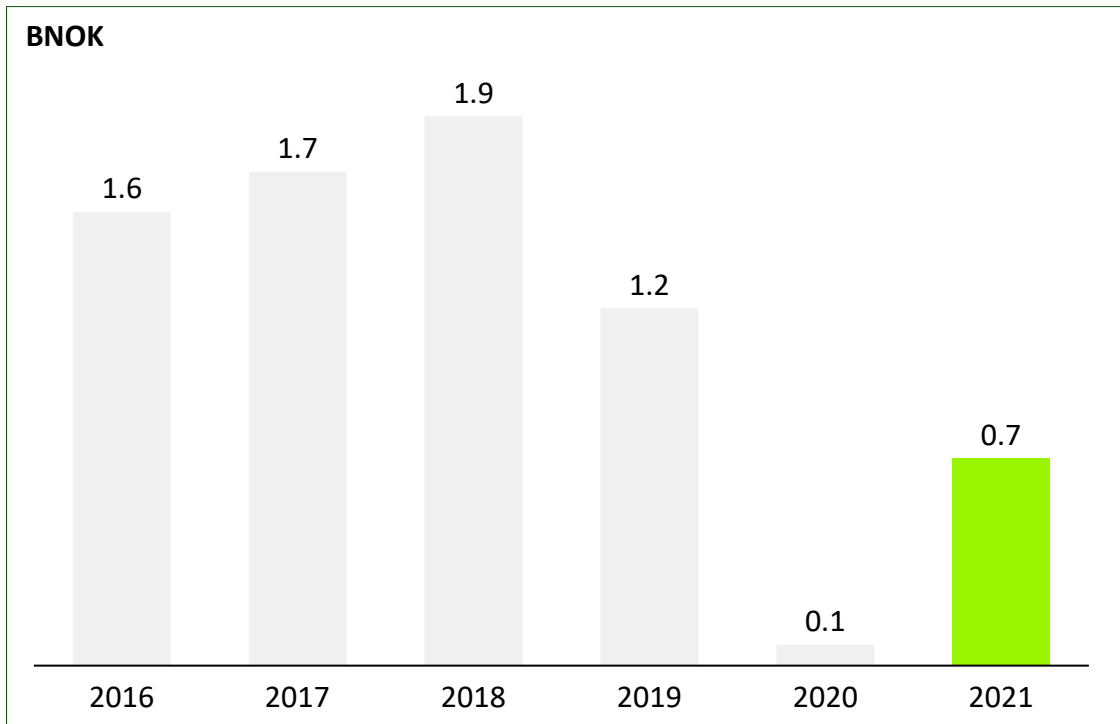
### Net Interest-Bearing Debt



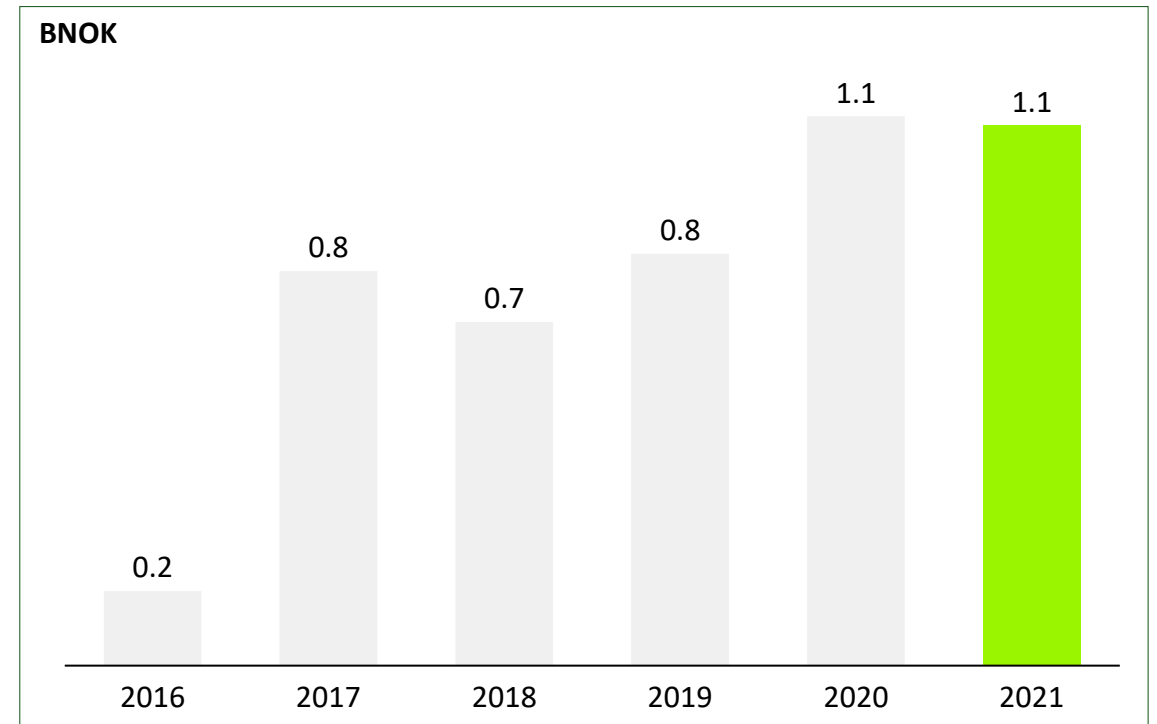


# XXL has a solid balance sheet

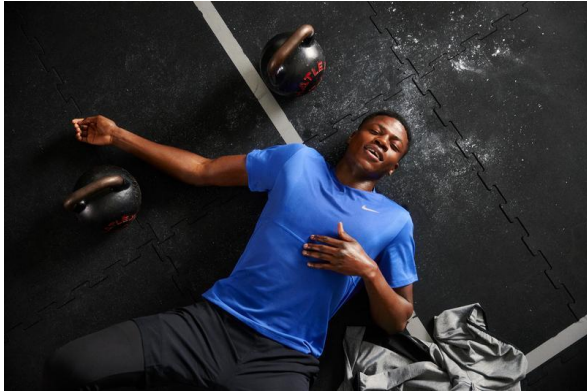
## Net interest bearing debt



## Liquidity reserves



# Financial summary Q4 2021



## P&L Summary

- EBITDA of NOK 403 million vs. LY of NOK 327 million
- Increase in revenue vs. LY of NOK 161 million, explained by good weather conditions and improved campaign execution
- Strong gross margins in the quarter of 42.1%
- Impairment of Austrian stores and Swedish Outlet stores=> write down of right to use and fixed asset of NOK 136 MNOK => no cash effect



## Balance sheet summary

- Inventory – healthy levels and age
- Continued strong financial position
  - NIBD of NOK 707 million
  - Liquidity reserves of NOK 1.093 million
- The Board of Directors will propose a dividend payment for the year 2021 of NOK 0.6 per share

# Outlook



# We have maintained and accelerated progress on our key strategic initiatives throughout 2021



Strengthen our **product assortment and offering**

- Improved assortment ON TRACK
- Category development ON TRACK
- Strengthened supplier relations ON TRACK



Enhance our **marketing approach** and build the XXL brand

- Revitalized brand platform COMPLETED
- Customer loyalty program (stage #1) COMPLETED



Establish XXL as **omni-channel champion**

- Web page optimization ON TRACK
- Delivery options ACCELERATED
- RFID rollout (stage #1) COMPLETED



Improve **in-store experience, concept and service offering**

- Fit Station launch COMPLETED
- New zone changing in stores COMPLETED
- Electronic shelf labels (stage #1) COMPLETED



Strengthen operational **efficiency** and our **customer orientation**

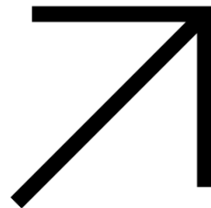
- Reorganization, HR and compliance ON TRACK
- Culture and leadership program ON TRACK
- System support on core processes ON TRACK



# Our targets and goals going forward is to continuously gain market shares and strengthen our profitability

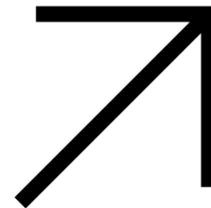
## Market share growth

Our ambition is market share gains in all markets and continue the growth within the e-com channel



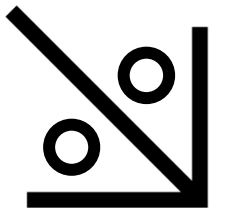
## Improve gross margin

We target to strengthen and improve our gross margin further from the stabilized 2020-levels (> 39% in gross margin)



## Decrease cost-ratio

We continue to invest in improved operational efficiency to decrease the cost ratio and increase quality



**Dividend target of 40-50% of annual normalized net income**

# Strengthening cooperation and digital capabilities



**Sebastian Blom - new EVP Digital Commerce**

- he is already onboard and has extensive experience from XXL and e-commerce operations
- will be responsible to deliver on an ambitious e-commerce growth plan
- part of the executive management team reporting to CEO



**Andre Sjøasæt – new EVP Marketing and Category**

- will improve and strengthen the cooperation between the commercial departments
- continue the journey of improving marketing efficiency and category development
- XXL has started the recruitment process of a new EVP Strategy and Business Development

# Closing remarks



## Q4 2021 Key Takeaways

- Improved seasonal plan and execution
- Strong sales at 2.7 billion (+ 6% vs. 2020)
- Strong gross margin at 42.1% (+ 170bps)
- Strong EBITDA at NOK 403 million (+ NOK 76 million vs 2020)
- Solid financial position



## Priorities

- Category strategies and seasonal execution
- Marketing and campaign process optimization
- E-commerce growth
- Optimize inventory and cost base



## Going forward

- Continue execution of improvement program
- Gain market shares in all markets
- Stabilize gross margin above 39%
- 3 new stores signed for 2022, 1 in Norway and 2 in Sweden. Töcksfors and Nordby to close during 2022
- Remove loss in Austria
- Decreased sales in January 2022 (-20%) vs. a strong comparator LY, but 20% growth vs. January 2020

**Q&A**



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# **XXL ASA – Q4 2021**





# Appendix

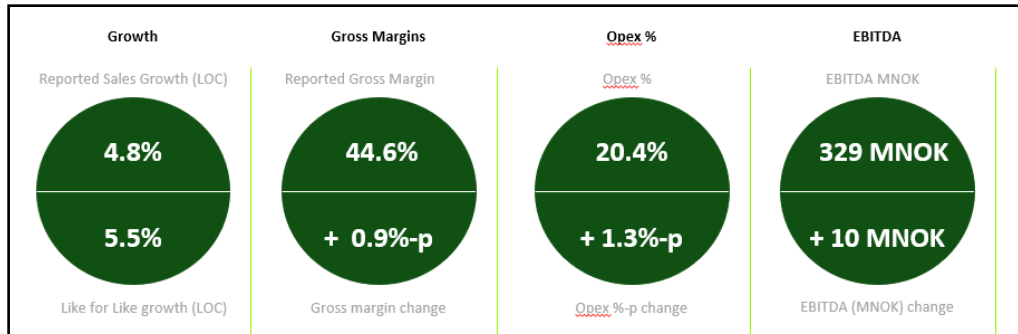
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## Q4: Norway and Sweden



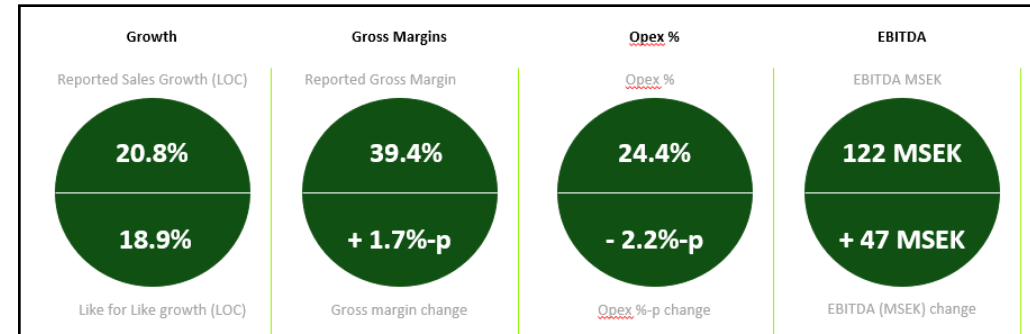
### Norway



- Positive development in topline vs a strong comparator, driven by strong Christmas sales and improved campaign execution
- Higher gross margin is explained by better campaign activities and seasonal execution, also impacted by a release of obsolete accrual of NOK 11 million
- EBITDA of NOK 329 million (NOK 319 million)



### Sweden

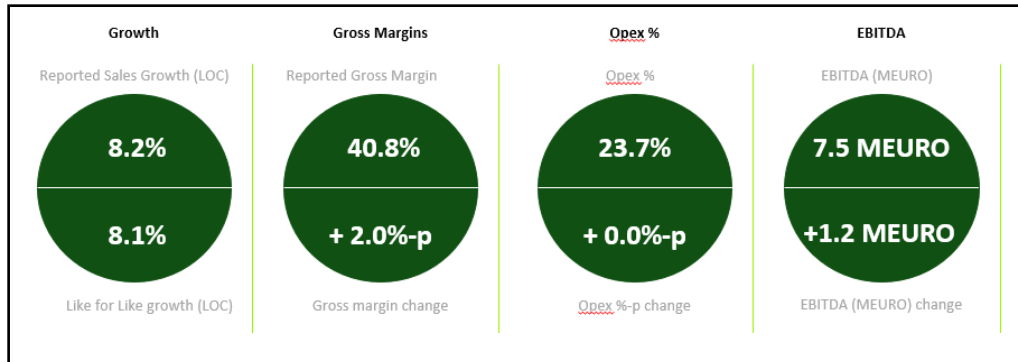


- Positive development in topline (local currency), driven by a positive like for like growth of 18.9 percent in local currency.
- Higher gross margin is explained by improved seasonal execution under good market conditions
- Opex% better than LY due to positive like for like for growth
- EBITDA ending at SEK 122 million (SEK 75 million)

# Q4: Finland and Austria



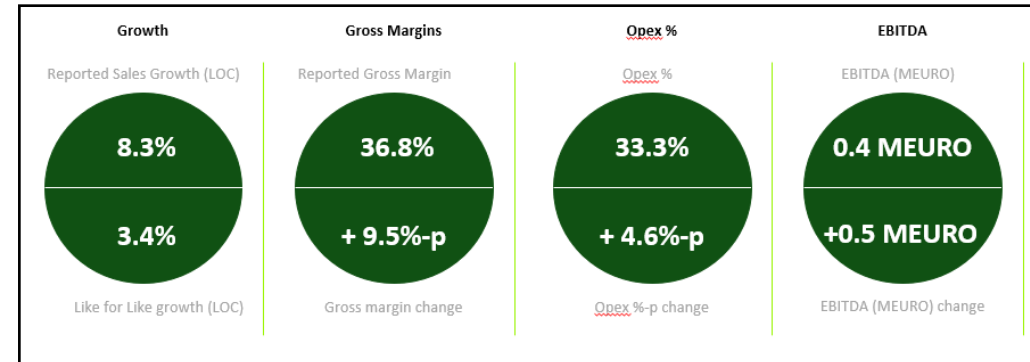
## Finland



- Positive development in topline of 8.2%, driven by a positive like for like. Sales gradually improved during the quarter with favorable winter conditions and solid Christmas sales
- Higher gross margin is explained by favorable market conditions
- EBITDA of EUR 7.5 million (EUR 6.3 million)



## Austria



- Positive development in topline of 8.3%. More challenging market dynamics than in the Nordic countries post covid-19
- Higher gross margin is partly explained by a release of obsolete accrual of NOK 4 million
- Negative development in opex% explained by more stores and increased marketing costs
- EBITDA of EUR 0.4 million (negative EUR 0.1 million)



**All sports united.  
Sports unite all.**